

BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF WASHINGTON

In the Matter of

No. G02-45

THE APPLICATION REGARDING  
THE CONVERSION AND  
ACQUISITION OF CONTROL OF  
PREMERA BLUE CROSS AND ITS  
AFFILIATES

SPECIAL MASTER'S ORDER ON OIC  
STAFF'S OBJECTIONS TO  
PREMERA'S PROPOSED  
REDACTIONS TO BLACKSTONE  
GROUP'S REPORT REGARDING  
ALLOCATION

On February 27, 2004, Premera provided proposed redactions of the report of the Blackstone Group, entitled "Discussion materials: Allocation Between Washington and Alaska," ("Blackstone Allocation Report") dated August 1, 2003. The OIC Staff responded to such proposed redactions with "OIC Staff's Objections to Premera's Proposed Redactions to Blackstone Group's Report Regarding Allocation Between Washington and Alaska," dated March 5, 2004. Premera replied with "Premera's Response to OIC Staff's Objections to Proposed Redactions to Blackstone Group's Report Regarding Allocation," dated March 12, 2004.

The following matrix identifies the portions of the Blackstone Allocation Report at issue and sets forth my rulings, which are based on the statutes and orders discussed in previous redaction rulings. Where the "Rulings" column indicates "withdrawn," Premera has withdrawn its former objection to disclosure, and the referenced passage shall be disclosed. Where the Rulings column indicates "disclose," I have overruled Premera's objection to disclosure, and the referenced passage shall be disclosed. Where the rulings column indicates "sustained," I have sustained Premera's proposed redaction.

Rulings sustaining Premera's proposed redactions are without prejudice to later disclosure of the reacted material if 1) the Commissioner determines under RCW 48.31C.130 that such disclosure is appropriate; 2) such material or related material is demonstrated to have been made public (see Paragraph 6(b), Protective Order); or 3) for other good cause shown.

Dated this 17<sup>th</sup> day of March, 2004

George Finkle  
Superior Court Judge, Retired  
Special Master

Page/Passage	Paragraph/Text	Ruling
2-1	Comparison of Projection Cases Table "Budget 2003" column	<p>Sustained. OIC Staff asserts that the information in this column is not appropriate for redaction because the numbers listed in this column were already disclosed in Premera's Annual Statement ("Statement of Revenue and Expenses"), which was filed on March 1, 2004 and posted for public review on the OIC website.</p> <p>In fact, the passage of the Blackstone Allocation Report at issue references Premera's "Budget 2003" figures, not its actual financial results. Such actual results had not been provided to the OIC when the Blackstone Allocation Report was prepared.</p> <p>Premera represents that the "Budget 2003" figures in the Blackstone Allocation Report cannot be found in any of Premera's annual statements or in any other public filing. My review of Premera's March 1 filing is consistent with this representation.</p> <p>Premera's reported actual financial results differ from Premera's budgeted figures for various metrics (e.g.,</p>

1			revenue and net operating income). Further, at least
2			some of such metrics do not appear on, or at least are
3			not easily derivable from, Premera's reported actual
4			financial results.
5			Release of the projections, or of the closely related
6			"sensitivity case" analysis, would provide Premera's
7			competitors with significant understanding of its
8			approaches to financial planning and with insight into
9			its ability to achieve financial targets. The information
10			at issue constitutes significant proprietary data and
11			trade secrets.
12	2-2	Footnote	Disclose. This passage relates to exclusions from
13			Premera's 2002 and 2003 Net Income related to
14			investment impairment charges and conversion costs
15			and does not reveal significant proprietary data or trade
16			secrets.
17	3-1	Comparison of	Sustained. See 1-1, above.
18		Projection Cases	
19		Table (Cont'd)	
20		"Budget 2003"	
21		column	
22	3-2	Footnote	Disclose. See 2-2, above.
23	4-1	Washington	Disclose. This passage outlines Washington's implied
24		Implied Share of	share of conversion proceeds under each of the metrics.
25		Conversion	In contrast with 2-1, above, this passage does not
26		Proceeds table	appear to reveal Premera's Budget 2003 figures.
		"Budget 2003"	If Alaska's Budget 2003 figures were available to the
		column	public, "reverse engineering" would permit the
			calculation of Premera's Washington and overall 2003
			projections. Premera does not, however, demonstrate
			that Alaska's Budget 2003 figures are publicly
			available. Without Alaska or Washington Budget 2003
			figures, only allocation percentages, which do not
			represent significant proprietary data or trade secrets,
			are revealed in this passage.
	5-1	Second bullet,	Withdrawn.
		first redacted	
		portion relating	

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5-2

to revenue  
  
Third bullet  
regarding the  
number of  
members in  
Alaska

Withdrawn.